

STATE OF CALIFORNIA  
Budget Change Proposal - Cover Sheet  
DF-46 (REV 02/15)

Local Year 2016	Business Unit 8660	Department Public Utilities Commission	Priority No. 004
Budget Request Name 8660-004-BCP-BR-2016-A1		Program 6680055-ENERGY	Subprogram

Budget Request Description

Ongoing PUC Implementation of AB 327 (Perea, 2014)

Budget Request Summary

This proposal requests funding of \$679,000 via Public Utilities Commission Utilities Reimbursement Account (Fund 0462) to convert five (5) expiring limited-term positions to permanent positions to support ongoing implementation of select provisions of AB 327:

- 1 Public Utility Regulatory Analyst (PURA) II for Residential Rate Reform work;
- 1 PURA V and 1 PURA III for Distributed Resource Plans (DRP) work;
- 1 PURA II for Net Energy Metering (NEM) work; and
- 1 PURA V for Low Income Need Assessment (LINA) Study and other low income data work.

These positions will support decisions for rulemaking proceedings and new applications; convene and manage workshop; review and evaluate testimony and comments; conduct in-depth technical, legal, and policy analysis; review and approve advice letter filings; draft resolutions for Commission approval; and, in all other ways, administratively manage the implementation of select provisions of AB 327.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date

For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

☐ FSR ☐ SPR Project No. Not Applicable Date:

If proposal affects another department, does other department concur with proposal? ☐ Yes ☐ No  
*Attach comments of affected department, signed and dated by the department director or designee.*

Prepared By Edward Randolph	Date 03/29/16	Reviewed By Jack Dwyer	Date 03/29/16
Department Director Timothy J. Sullivan	Date 03/29/16	Agency Secretary	Date

Department of Finance Use Only

Additional Review: ☐ Capital Outlay ☐ ITCU ☐ FSCU ☐ OSAE ☐ CALSTARS ☐ Dept. of Technology

BCP Type: ☐ Policy ☐ Workload Budget per Government Code 13308.05

PPBA

Original Signed By:  
Ellen Moratti

Date submitted to the Legislature

APR 01



### A. Budget Request Summary

The California Public Utilities Committee (PUC) requests funding in the amount of \$679,000 for five (5) new permanent full-time positions to support ongoing implementation of select provisions of AB 327: one PURA V and one PURA III for DRP work, one PURA V for low income data work, one PURA II for rate reform work, and one PURA II for NEM work. In the 2014-15 budget, the legislature authorized 8.5 analyst positions to implement AB 327 on a two-year limited term basis, expiring at the end of the current fiscal year. Some of the AB 327 work (e.g., renewables portfolio standard) has been superseded by new legislation (e.g., SB 350), and some work is tapering down (e.g., initial phase of NEM successor tariff), while other work is being (or will be) absorbed by existing resources (specifically, resource adequacy (RA) analyst support for DRP work, demand response (DR) analyst support for rate reform work, low-income analyst support for the California Affordable Rates for Energy (CARE) needs assessment, and one analyst supporting NEM work).

While some of the AB 327 work has been completed, superseded, or can be implemented by existing resources, other ongoing work cannot be completed without additional resources, necessitating this request for these five positions to continue implementation of select AB 327 positions.

These positions will support decisions for rulemaking proceedings and new applications; convene and manage workshops; review and evaluate testimony and comments; conduct in-depth technical, legal, and policy analysis; review and approve advice letter filings; draft resolutions for Commission approval; and, in all other ways, administratively manage the implementation of certain AB 327 provisions.

### B. Background/History

In this section we provide a brief overview of the legislative history and implementation work to date (or expected by the end of FY 2015-16) for the three AB 327 provisions requiring positions for ongoing oversight and implementation work: rate reform, DRP, and NEM.

#### **Relevant AB 327 Legislative Requirements**

##### **1. Removes statutory limits on the PUC's authority to approve residential rate designs and set rates for residential customers (Public Utilities Code sections 382, 739.1, 739.9, and 745)**

The bill lifts certain legislative restrictions, but does not mandate any particular rate design and thus gives back to the PUC much of the authority it had to set rates prior to legislation enacted in the wake of the energy crisis. Specifically, the bill, in parts relevant to this request, mandates the following:

- a) Repeals the limitations on increasing the electric rates of residential customers, including the rate increase limitations applicable to California Alternate Rates for Energy (CARE) customers
- b) Requires the PUC to ensure that CARE rate discounts be no less than 30 percent and no more than 35 percent of the revenues that would have been produced for the same billed usage by the non-CARE customers, and that the entire discount be provided in the form of a bill reduction
- c) Repeals several electric and gas legislative requirements that: (1) keep CARE rates at the lowest possible level, not overburdening the energy costs of low-income customers, and (2) ensure that the level of discount for low-income ratepayers is based on the level of need as determined by a needs assessment. Needs assessments will be required to be performed at least every three years
- d) Requires the PUC to determine that any proposed rate changes are reasonable and necessary and, more specifically, that rates paid by residential customers are fair, equitable, and reflect the true costs to serve those customers. The PUC should consider specified rate design principles in approving any changes to electric service rates
- e) Authorize the PUC to approve or expand existing fixed charges for the purpose of collecting a portion of the fixed costs of providing service to residential customers
- f) Impose a \$10 limit on the Non-CARE and a \$5 limit on the CARE fixed charge and, beginning January 1, 2016, authorizes the PUC to adjust these amounts by no more than the annual percentage increase in the Consumer Price Index
- g) Implement Public Utilities Code section 745, which contains the following summary provisions:
  - Requires the PUC to determine if seniors and economically vulnerable customers in hot climate zones will suffer unreasonable hardship due to default TOU rates

## Analysis of Problem

- Requires the PUC to review and analyze evidence regarding the hardship faced by all customers in hot, inland areas and areas with hot summer weather as a result of default TOU rates
- Allows the PUC the discretion to determine if certain classes of customers should be excluded from default TOU rates, which will require analysis of the impact of default TOU rates on any number of customer classes

### ***2. Requires electric corporations to develop and submit distributed resources plan proposals subject to PUC review and approval (Public Utilities Code section 769)***

Distributed resource plan proposals must:

- a) Evaluate locational benefits and costs, and propose or identify standard tariffs and contracts or other mechanisms for the deployment of cost-effective distributed resources
- b) Propose cost-effective methods for effectively coordinating existing PUC-approved programs, incentives, and tariffs to maximize the locational benefits and minimize the incremental costs of preferred distributed resources
- c) Propose methods to integrate cost-effective distributed resources into distribution planning, consistent with the goal of yielding net benefits to ratepayers
- d) Identify barriers to the deployment of distributed resources, including, but not limited to, safety standards related to technology or operation of the distribution circuit in a manner that ensures reliable service

### ***3. Requires the PUC to approve a successor NEM tariff or contract for eligible customer generators and alternative tariff(s) for disadvantaged communities (Public Utilities Code sections 2827, 2827.1, and 2827.10)***

In essence, the bill extends the current NEM tariffs until the NEM cap has been reached or until July 1, 2017, whichever is earlier. Below is a list of the most relevant provisions:

- a) Requires every large utility to provide NEM service to additional eligible customer-generators through July 1, 2017, or until it reaches its NEM cap, as specified in Public Utilities Code Section 2827 (c)(4)(B)
- b) Required the PUC to develop a NEM successor tariff or contract or tariff for eligible customer-generators by no later than December 31, 2015
- c) Requires that the NEM successor ensures that customer-sited renewable distributed generation (DG) continues to “grow sustainably” and includes specific alternatives designed for growth among residential customers in “disadvantaged communities”
- d) Permits customer-generation projects greater than 1 megawatt (MW) that do not have significant impact on the distribution grid if these projects are subject to reasonable interconnection charges
- e) Establishes a transition period for eligible customer generators taking NEM service prior to the implementation of the NEM successor. By March 31, 2014, PUC had to determine the length of time eligible customers could continue service under the previously applicable NEM tariff
- f) Places certain limits on NEM eligibility of fuel cell facilities
- g) Requires monthly reporting by large utilities to the PUC detailing the progress toward NEM caps
- h) Requires certain provisions for inspections of NEM eligible customer-generator facilities

### ***4. Requires the PUC to conduct an assessment of the needs of the low-income electricity and gas ratepayers with the assistance of the Low Income Oversight Board (LIOB) every third year (Public Utilities Code sections 382)***

The needs assessment must include but is not limited to the following:

- a) Low income program implementation and the effectiveness of weatherization services
- b) An evaluation of energy efficiency measures in low-income households
- c) Whether existing low-income programs adequately address household electricity and gas expenditures, hardship, language needs, and economic burdens



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### Implementation Activity Completed or Expected by end of FY 15-16

#### **Residential Rate Reform**

The table below provides a summary of the workload history on rate reform. Further description is provided below:

Rate Reform (Sections 382, 739.1, 739.9, and 745)						
Workload Measure	PY – 4 FY 2010-11	PY – 3 FY 2011-12	PY – 2 FY 2012-13	PY – 1 FY 2013-14	PY FY 2014-15	CY FY 2015-16
Proceedings				1	1	1
Decisions					1	1 (+1)
Guidance / Scoping Rulings					3	3
Workshops					1	2(+1)
Working Group Meetings						4 (+5)
Staff Papers					1	1
Advice Letters Processed						3(+6)
Resolutions						(+3)
NOTE: The nomenclature (+#) denotes forecasted additional work products anticipated by end of FY 2015-16						

In R.12-06-013, the implementation of the Phase II decision began in FY 2014-15 and concluded with a decision implementing 2015 rate changes [D.15-07.001]. The Phase I implementation process began in September 2015, and culminated with a major decision in July 2015 on rate restructuring through 2019 and beyond (D.15-07-001), with decision implementation continuing for the foreseeable future. The following implementation activities have been or will be completed by the end of FY 2015-16:

- Provided supporting analysis and helped draft and review two critical decisions for Phases I (FY 2014-15) and II (FY 2013-14);
- Drafted one staff proposal on residential rate reform in FY 2013-14;
- Analyzed rate changes via three utility advice letters that were ordered by D.15-07-001;
- Assisted in the coordination, organization, and execution of three workshops, including a TOU Rates public workshop, a D.15-07-001 Implementation public workshop, and a Residential Electricity Rate Summit (RERS) in November 2015;
- Organized and assumed a leadership role in the development of TOU and Marketing, Education, and Outreach (ME&O) working groups tasked with the ongoing assessment and development of utility strategies for educating customers on the transition to default TOU rates (four working group meetings have been held thus far with several more to come);
- Assisted in the drafting of three scoping rulings in R.12-06-013;
- Provided analysis and assisted in the drafting of one staff paper.

With the Phase I decision D.15-07-001 setting forth implementation orders for the transition to default TOU rates from 2015 through 2019, and Phase III initiated and ongoing concurrently, there remain numerous workload milestones ahead:

- Ongoing TOU and ME&O working group coordination, management, administration, and evaluation of utility marketing strategies through 2018 (five more working group meetings are currently scheduled, with others possibly on the horizon), in accordance with the orders in D.15-07-001;
- Analysis and implementation of annual glide path tiered rate changes (tier collapse) ordered in D.15-07-001 through 2019 via three advice letters;
- Assisting Administrative Law Judge(s) in analysis to support the drafting of a Phase III decision on R.12-06-013;
- Evaluation and analysis of 2016 SDG&E General Rate Case (GRC) application, where certain refinements to SDG&E-specific TOU rates have been proposed. Staff will support the Administrative



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Law Judge (ALJ) with analysis and evaluation of proposed rate designs to ensure conformity with orders in D.15-07-001;

- Review and analysis of all advice letters implementing tariff changes in accordance with the SDG&E GRC.

### ***Distribution Resource Plans and Integrated Distributed Energy Resources***

The table below provides a summary of the workload history on Distribution Resource Plans (DRP) (R. 14-08-013) and Integrated Distributed Energy Resources (IDER) (R. 14-10-003). Per D.15-09-022, implementation of Public Utilities Code section 769 was split into two proceedings: specifically, sections 769(b)(1),(4) and (5) in the DRP proceeding; and sections 769(b)(2)-(3) in the IDER. Further description of the workload history is provided below:

#### **Workload History – Section 769 (DRP and IDER) work**

Distribution Resource Plans (DRP) and Integrated Distributed Energy Resources (IDER) (Section 769)						
Workload Measure	PY - 4	PY - 3	PY - 2	PY - 1	PY	CY
Proceedings					1+1	1+1
Orders Instituting Rulemaking					1+1	
Decisions						0+1
Guidance / Scoping Rulings					4+1	10+0
Workshops / Hearings					4+0	12+2
Working Group Meetings					TBD+0	TBD+3
Staff Papers						2+1
Advice Letters Processed						
Resolutions						
*Note format of entries is X + Y, where X = # of outputs in DRP Proceeding and Y = # of outputs in IDER Proceeding						

In September 2015, the PUC adopted D.15-09-022 which bifurcated section 769 implementation into two proceedings (the DRP and IDER). The IDER rulemaking will determine how the resources needed to fill the required characteristics and deliver locational net benefits (determined in the DRP proceeding) will be sourced. The decision adopted the following goal for the integration of distributed energy resources in the IDER proceeding:

*To deploy distributed energy resources that provides optimal customer and grid benefits, while enabling California to reach its climate objectives.*

The subsections below address Section 769 related work completed in the DRP and IDER proceedings:

#### ***Implementation Activity in the DRP Proceeding***

The PUC established an Order Instituting Rulemaking (OIR), R.14-08-013 in 2014 to develop policies, rules, and procedures for the development of DRPs by six PUC jurisdictional utilities. PUC President Picker issued an Assigned Commissioner Ruling (ACR) in February 2014, directing IOUs and other utilities on filing details for their DRP applications.

- In the pre-application phase Staff assisted PUC President Picker in ALJ in the AB 327 DRP proceeding to, among other things, conducted four (4) pre-application DRP workshops in 2014-2015, write Rulings requesting party comment, summarize party comments and provide staff recommendations on policy outcomes, analyze stakeholder policy proposals, write a draft DRP Application Guidance Ruling and finalize the DRP Guidance Ruling.

Staff helped the Commission develop a scoping memo for the complex DRP proceeding, involving a policy rulemaking, and six (6) DRP applications filed July 1, 2015, three by the IOUs and three by the Small and Multi-Jurisdictional Utilities.

- Staff analyzed the six DRP applications and analyzed and summarized party comments on the applications
- Staff assisted the ALJ to conduct a Pre-Hearing Conference in September 2015



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- Staff drafted a staff proposal for a DRP Roadmap, conducted a DRP Roadmap Workshop, and analyzed and summarized party comments on the draft DRP Roadmap

Currently, staff are working with the assigned ALJ to conduct workshops, analyze party comments, and prepare staff proposals, rulings and decisions to implement the DRP in three concurrent tracks:

- Track 1 Methodological Issues (quasi-legislative): Staff are assisting the ALJ to approve, modify, and establish the frequency for updating the core methodological tools of the DRP which include the Integrated Capacity Analysis (ICA), Locational Net-Benefit Analysis (LNBA), and Demonstration and Pilot Projects A and B. Staff support development of data-access policies and procedures.
- Track 2 Demonstration and Pilot Projects (rate-setting): Staff will assist the ALJ in the design and authorization of funding for Demonstration Projects C (DER Locational Benefits), D (High Penetration DER), and E (Micro Grid) as designated in the February 6, 2015 Guidance Ruling.
- Track 3 Policy Issues (quasi-legislative): Track 3 will address many policy issues critical to achieving the goals and vision of the DRP to transform the modernized distribution grid into one that is “plug and play” for enabling high penetration of DERs and delivering cost savings to ratepayers while achieving the state’s climate goals. Through the end of the current fiscal year and well beyond, staff will conduct extensive analysis, hold workshops, and draft staff proposals that will result in decisions on the following issues (the full list is provided as indication of what staff will be working on in the 2016-2019 period. Scope areas that will be completed or initiated within the current year are noted with “CY”):
  - Definition of distribution services that can be provided by distributed energy resources related to the LNBA methodology (CY);
  - Competitive neutrality, grid neutrality, and third-party ownership of DERs;
  - Grid modernization investment/deferral frameworks (CY);
  - Control over dispatch of DERs;
  - The role of community choice aggregators (CCAs) and electric service providers (ESPs) and the utilities’ responsibilities for competitive neutrality with respect to other wholesale electricity providers;
  - Utility role, business models, and financial interest with respect to DER deployment;
  - Coordination with other agencies with respect to climate policy (CY);
  - Coordination with other procurement-related proceedings within the Commission, including the long-term procurement plan (LTPP) proceeding (CY);
  - Coordination with the California Energy Commission’s (CEC’s) Integrated Energy Policy Report (IEPR) and demand forecast, as well as with the California Independent System Operator’s (CAISO’s) Transmission Planning Process (TPP) (CY);
  - Maximizing ratepayer benefits of DERs, both in terms of overall system cost (including generation, transmission, and distribution) and greenhouse gas (GHG) reductions;
  - Value of DERs to customers;
  - Barriers to DER deployment that are safety or reliability related;
  - DER deployment in disadvantaged communities;
  - Accounting for the GHG reduction benefits of DERs (CY);
  - What grid modernization functions need to be deployed to support full DER integration (CY);
  - Establishment of safety standards;
  - Data access and confidentiality issues with respect to the LNBA and ICA methodologies, including definition of electric service provider interface functionality for third-party data access;
  - Appropriate growth scenarios and/or forecasts for analysis of DER deployment (CY);
  - Consideration of and need for optimized portfolios of DERs;
  - Whether and when to require periodic updates to utility distribution resource plans;
  - Relationship to utility general rate cases (GRCs) and Integration of DRPs into utility distribution infrastructure planning and investment (CY).



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### Implementation Activity in the IDER Proceeding

October 2014, the PUC opened the IDER rulemaking (R. 14-10-003) to review and consider a comprehensive and unified framework for policies governing distributed energy resources, including consistent policies for cost-effectiveness determinations.

In FY 2015-16, so far, staff supported two workshops leading to a Phase I decision (D.15-09-022) explicitly linking the DRP and IDER proceedings under Section 769 implementation. In addition, staff issued a staff proposal on a unified cost-effectiveness framework and facilitated three working group meetings to develop a staff proposal.

### Net Energy Metering

The table below provides a summary of the workload history on NEM. Further description is provided below.

#### Workload History – NEM work

##### Net Energy Metering (Sections 2827, 2827.1, and 2827.10)

Workload Measure	PY – 4 FY 2010-11	PY – 3 FY 2011-12	PY – 2 FY 2012-13	PY – 1 FY 2013-14	PY FY 2014-15	CY FY 2015-16
Proceedings				1	2	1
Decisions				1		1
Guidance / Scoping Rulings				2	1	1(+1)
Workshops					3	3
Staff Papers						4
Advice Letters Processed						46(+23)
Resolutions						
Requests for Proposals				1		

NOTE: The nomenclature (+#) denotes forecasted additional work products anticipated by end of FY 2015-16

In March 2014, the PUC adopted a NEM transition decision (D.14-03-041) making a determination on the length of time (20 years) that eligible customer-generators may take service under the predecessor NEM.

Staff developed a NEM public tool, staff proposal, and assisted the ALJ to finalize a Decision to adopt a NEM successor tariff.

- Staff developed the NEM public tool model to quantitatively evaluate NEM successor tariff proposals relative to statutory criteria via a public stakeholder process
- Staff published two Staff Papers to assist in the development of the AB 327 Successor Tariff or Standard Contract
- Staff assisted the ALJ in the AB 327 Successor Tariff proceeding to, among other things, write rulings requesting party comment, summarize party comments and provide staff recommendations on policy outcomes, analyze stakeholder policy proposals, write a proposed decision, and finalize the NEM successor tariff decision

The Commission adopted a Decision implementing NEM successor tariff.

- The Decision requires staff to manage implementation of the decision and review follow-up filings that will be submitted by the utilities
- The Decision scopes future ongoing work and deliverables for staff in a Phase II of the proceeding
- The Decision requires staff to monitor and analyze the effects of NEM so that it can be revisited in 2019

Staff will review and dispose of the utility advice letters required by the decision.

- Ordering Paragraphs 1,4, and 5 of the decision require the following advice letters (ALs) to be filed within 30 days of the decision's approval
  - Three ALs to implement the NEM successor tariff
  - Three ALs to implement the Virtual NEM (VNEM) successor tariff



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- Three ALs to implement the NEM Aggregation (NEMA) successor tariff

The Commission has scoped a further phase for the proceeding and identified key associated deliverables for the NEM successor tariff proceeding in the decision adopted by the Commission on January 28, 2016.

- Staff will support decision makers to issue an amended scoping memo for Phase II
- Staff will support the ALJ and assigned Commissioner to issue rulings to develop the record on Phase II issues including:
  - NEM tariff alternatives for disadvantaged communities
  - Consumer protection and safety
  - Marketing and Outreach
  - Measurement and Evaluation

### **Low Income Needs Assessment Study**

The table below provides a summary of the workload history on Low Income Needs Assessment Study and related activities. Further description is provided below.

#### **Workload History – LINA work**

Low Income Needs Assessment (Section 382 (d))						
Workload Measure	PY – 4 FY 2010-11	PY – 3 FY 2011-12	PY – 2 FY 2012-13	PY – 1 FY 2013-14	PY FY 2014-15	CY FY 2015-16
Proceedings					1	2
Decisions					1	3
Guidance / Scoping Rulings						1
Workshops / Hearings					3	6
Staff Papers / Public Tool					1	1
Advice Letters Processed						
Resolutions						
Requests for Proposals					1	1
NOTE: The nomenclature (+/#) denotes forecasted additional work products anticipated by end of FY 2015-16						

The PUC adopted the low income guidance decision (D.14-08-030) which provided additional guidance for the Low Income Needs Assessment (LINA) in compliance with AB 327. The last LINA was completed in 2013. In compliance with the legislation, the next LINA will need to be completed in 2016. During the past year, the limited term PURA V has managed the Request for Offer (RFO) development and consultant selection process to support this study. A consultant was selected and a proposed Research Plan was presented at a public workshop in January of 2015. In 2016, the PURA V is tasked with managing the completion of this study and then must immediately begin planning for the 2020 LINA study. Management of this study involves:

- Regular check-in meetings with the 2016 LINA Study Team comprised of the limited term PURA V and Utility staff and the selected consultant;
- Prepare and conduct briefings for internal management, ALJs, and Commissioners;
- Regular check-in meetings with Low Income Oversight Board (LIOB) members to provide status updates and receive input from board members;
- Planning, hosting, and facilitating several public workshops to promote transparency and receive stakeholder input as well as regular status presentation at LIOB meetings;
- Review, revise, and approve various technical documents that will be used to develop the final evaluation report;
- Evaluate various written products necessary to manage and present the final study.



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Since the passage of AB 327, additional legislation has been adopted (SB 350, AB 2672, AB 802, AB 693, AB 693) that specifically includes activities to support low income or disadvantaged communities. The next LINA study will need to be expanded to gather additional data caused by the creation of these new activities. In addition to an expansion of data needs for low income, there will be a need for additional coordination with other state and federal agencies such as the California Energy Commission and the Department of Community Services and Development.

### C. State Level Considerations

AB 327 seeks to build on the success of the California Solar Initiative by expanding NEM access to all eligible customer generators, provide rate relief for customers that are subject to electricity prices that do not reflect cost of service, promote the deployment of distributed resources to locations on the grid to maximize grid reliability, and support compliance with AB 32 goals to reduce California greenhouse gas emissions levels to 80% of 1990 levels by 2050.

Enactment of AB 327 may also positively impact California's economy. For example, approval of a default residential time of use (TOU) rate structure could result in product and service growth of home area network (HAN) services, automated demand response (AutoDR), third-party energy data management companies, and appliance manufacturers. In addition, if the revenue requirement for commercial customers is reduced through rate reform, the subsequent reduction in commercial electric rates could provide an economic incentive for businesses to remain in California. This could result in the retention of jobs and potential expansion of California's manufacturing base. Increasing the NEM cap could also result in the expansion of distributed generation-related product and service industries, including solar panel distributors, installers, and third-party energy management companies.

### D. Justification

#### Residential Rate Reform

Additional staff resources are needed to effectively implement ongoing Residential Rate Reform work. In 2015, 6.0 person-years (PYs) of analyst resources were assigned to R.12-06-013 across the Energy Division.<sup>1</sup> With the completion of D.15-07-001, the workload has diminished slightly; however, the decision orders substantial ongoing implementation work, which will require one of the two positions originally authorized to become permanent.

1. Staff will support the Commission in implementing statewide residential rate changes in accordance with D.15-07-001 through 2019, as well as supporting the ALJ in drafting and implementing a Phase III decision and the provisions of PU Code Section 745.
2. Additional Ongoing Work: Below is a general summary of the residential rate reform work, as well as activities in other program areas that the Retail Rates team must complete:
  - The Retail Rates Section provides support to the ALJ Division regarding proceedings involving rate design, including Phase II of General Rate Cases (GRCs), Rate Design Windows, and tariff design in the following areas: electric vehicles, critical peak pricing, peak-time rebate, and net energy metering, among others;
  - Phase II GRC proceedings: These require a significant number of resources (i.e. one to three PURAs) to examine utility marginal costs, load forecasts, allocation of revenues to customer classes, bill and rate impacts, and fixed charges, including demand charges;
  - Rate and tariff design changes, Advice Letters, and Resolutions: This section also reviews all advice letter filings, and issues resolutions regarding rate design issues through the GRC Phase II implementation process;
  - Legislative Reports on Bundled Rate and Utility Costs: The Retail Rates team assembles two extensive and detailed reports on rates and utility cost containment to the Legislature as mandated by AB 67 and SB 695;
  - Providing analytical support for other program areas: In addition, the Retail Rates section continues to support the Customer Generation team to analyze issues (i.e. expected system payback period, locational costs and benefits of distributed generation, non-bypassable charges) that affect pricing

<sup>1</sup> Source: Employee Tracking System (ETS) data: Jan 2015-Dec 2015.



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and design of the NEM 2.0 tariff and the equitable grandfathering of the current NEM tariff. In addition, it is anticipated that the Retail Rates team will increasingly work in tandem with the Grid Reliability and Planning section of Energy Division to provide supporting analysis in the IDER proceeding;

- **Other Programs and Projects:**

- **SB 43 and SB 793 (Wolk):** The Green Tariff Shared Renewables (GTSR) program, which now requires up to 20 years of forecasting of GTSR credits and charges until the program sunsets, is another major program area for the Retail Rates team. These two bills require two assigned Retail Rates staff to oversee utility tariff implementation, marketing programs, and now forecasting, which will require a new phase of the original proceeding to assess forecasting methodologies and implementation. In addition, Retail Rates staff is tasked with other miscellaneous duties including work on the approval of tariffs (i.e. green tariffs, electric vehicle, lighting, smart meter opt-out, etc.).
- **Rate Design Windows (RDWs):** The RDWs are individual utility proceedings that take up a narrow, more specialized set of rate design issues between GRCs, usually lasting up to one year, and staffed by one PY.

An additional PUC staff position is needed for implementation and ongoing management of the Residential Rate Reform proceeding:

The Retail Rates section currently has six staff analysts and estimates that they will be involved in the ongoing rate reform proceeding (currently in Phase III), and the longer term implementation of the Phase I decision through 2019. Presently, these five analysts are not sufficient to absorb the ongoing work associated with the analysis and implementation of substantial rate reforms ordered in D.15-07-001 and Phase III of R.12-06-013, without compromising the delivery of work product in the program areas enumerated above. Residential rate reform, as set forth by AB 327, will continue to be a substantial share of the core work of this team through 2019. Therefore, we request that one of the limited term PURA II positions become permanent to effectively resource this effort.

### Request One PURA II, 1.0 PY for Retail Rates work

The Retail Rates team will be engaged in the following activities related to residential rate reform:

- **The TOU and Marketing, Education, and Outreach (ME&O) Working Groups** – Two working groups for the implementation of TOU Pilot plans, as well as ME&O coordination, management, administration, and evaluation will continue through 2018, in accordance with the orders in D.15-07-001. TOU pilots begin in the summer of 2016 through the end of 2017, and IOU marketing plans will be submitted in September of 2016. In addition, customer surveys and Measurement & Evaluation processes will be undertaken as the pilots conclude, to gather data on customer performance and education in preparation for default TOU implementation;
- **PG&E General Rate Case** – The Retail Rates team will be involved in evaluating utility applications including marginal costs, load forecasts, rate and bill analyses, examination of fixed charge proposals, and an evaluation of the impact on low-income customers, in accordance with the rate reform process set forth in D.15-07-001;
- **SDG&E 2015 General Rate Case** – The Retail Rates team will be involved in evaluating utility applications including marginal costs, load forecasts, rate and bill analyses, and an evaluation of the impact on low-income customers in order to ensure consistency with the rate reform process set forth in D.15-07-001;
- **2018 Rate Design Windows** – As part of the implementation process for D.15-07-001, and following the TOU pilots, the Retail Rates team will begin working with the IOUs to begin preparing RDW applications containing proposals for default TOU rates.

### **Distribution Resources Plans (DRP) and Integrated Distributed Energy Resources (IDER)**

Additional staff resources are needed to effectively implement ongoing AB 327 implementation work in the DRP and IDER proceedings. In 2015, three person-years of analyst resources were assigned to implement Sec 769 provisions in the DRP and IDER proceedings, across the Energy Division.<sup>2</sup> This workload is expected

<sup>2</sup> Source: Employee Tracking System (ETS) data: Jan 2015-Dec 2015



## Analysis of Problem

to continue for the foreseeable future with some work being absorbed by existing resources. Therefore, we request to make permanent 2.0 positions of the 3.5 positions originally authorized on a limited term basis.

Staff will support the Commission in issuing scoping memos, rulings, developing staff proposals, holding workshops, processing advice letters, drafting resolutions, supporting the development of decisions, and writing reports to dispose of the following issues in the DRP and IDER current and successor proceedings through several specific measures that include, but are not limited to the following<sup>3</sup> (Current Year, Budget Year activities are provided only, but the work will extend into BY + 1, 2 and 3):

### 1. DRP

- a. Track 1: Methodological Issues (quasi-legislative)
  - ICA and LNBA Methodologies, Demo A and B, and Data Access
  - CY: Five Rulings, three workshops, two staff proposals, one Proposed Decision
  - BY: Two Rulings, two workshops, one Proposed Decision, one Staff Proposal, six IOU Advice Letters (Reporting on Demo A and B)
- b. Track 2: Demonstration and Pilot Projects C, D, E and F (rate-setting)
  - CY: Three workshops, two Rulings
  - BY: One Proposed Decision, one Final Decision, one Staff Proposal, one Ruling, ten IOU Advice Letters (Reporting on Demo C, D, E and F), three to five Resolutions
- c. Track 3: Methodological Issues (quasi-legislative)
  - CY: Three workshops, two Rulings
  - Scope: Growth Scenarios, Grid Modernization, Grid Investment Deferral and Alignment with GRCs, Process Alignment with Other PUC Proceedings and agencies, including CAISO TPP and DERP/ESDER, CEC IEPR, LTTP, IDER, Interconnection, Electric Vehicles, Storage, Zero Net Energy, and others.
  - BY: One Proposed Decision, one Final Decision, one Scoping Ruling, seven Rulings, two staff proposals, five workshops, four IOU Advice Letters
  - Scope: Continuation of the above issues plus the list described in Implementation Activity.

### 2. IDER

- a. Phase I development of cost-effectiveness protocols
  - One decision in CY (Q2 2016)
  - One decision in BY (Q4 2016)
  - Four workshops in CY (Q1 2016)
  - Two workshops in BY (Q4 2016)
- b. Phase II development of mechanism to create a Customer Energy Solutions (CES) Program
  - One workshop in CY (Q1 2016)
  - One workshop in BY (Q4 2016)
  - One paper or proposal on concepts for CES Demonstrations and Implementation in BY+1 (Q1 2017)
  - One decision in BY+1 (Q2 2017)
- c. Procedural framework: 1 decision in BY (Q4 2016)

Request One PURA V and One PURA III for DPR and IDER work

### **Net Energy Metering (NEM)**

Additional staff resources are needed to effectively implement ongoing NEM work. In 2015, 2.7 person-years of analyst resources were assigned to NEM across the Energy Division.<sup>4</sup> With the recent completion of the NEM successor decision (D.16-01-044), the workload is expected to diminish somewhat, but the decision orders ongoing work, which will require one of the two positions originally authorized to become permanent.

Staff will support the Commission in issuing an amended scoping memo, mailing follow-up rulings, analyzing stakeholder proposals, holding workshops and developing staff proposal(s) to dispose of the following Phase II issues in the NEM Successor Tariff Proceeding:

<sup>3</sup> For brevity, this narrative only provides descriptions for Current Year and Base Year.

<sup>4</sup> Source: Employee Tracking System (ETS) data: Jan 2015-Dec 2015



## Analysis of Problem

1. Alternatives for Disadvantaged Communities – Staff will work on developing a definition of “disadvantaged communities” for use in NEM alternatives for disadvantaged communities, as well as the alternative tariffs for this customer group. Specifically, staff will work to:
  - a. Define disadvantaged communities, which will require a staff workshop and comment summaries;
  - b. Design an alternative tariff(s) or program(s) such as an expanded VNEM program, which will require ruling(s) and a staff proposal;
  - c. Develop criteria for evaluating whether the programs adopted are fostering growth of NEM alternatives in disadvantaged communities, which will require developing new analytical tools and working with stakeholders to gather data; and
  - d. Design and implement measurement and evaluation plans, which will require a staff recommendation on stakeholder proposals and implementation of evaluation plans through utility AL filings and regular working group meetings with utilities and program administrators.
2. Consumer Protection and Safety – Staff will support the Commission to develop additional consumer protection measures, including but not limited to:
  - a. The development of budgets to implement consumer protection for customers taking service under the NEM successor tariff;
  - b. Measurement and evaluation plans;
  - c. Marketing and outreach plans;
  - d. The development of standard disclosure documents that must be given to customers by utilities before they make any contractual commitment to a generation system provider;
  - e. The development of standardized assumptions vendors will be required to provide to potential customers to evaluate the economics of installing NEM systems;
  - f. The creation of an independent consumer advocate for customer-generators; and
  - g. Plans for more active cooperation between the Commission and other state agencies with responsibilities related to installation of residential renewable distributed generation (DG) systems.
3. Additional Ongoing Work – There will be the following additional ongoing work for staff to implement the NEM successor tariff:
  - a. Exploring compensation structures other than NEM for customer-sited DG, including analysis and design of potential optional or pilot tariffs that account for locational and time-differentiated values of customer-sited DG;
  - b. Preparation of reports to consider complementary NEM policies that increase the value of customer-sited renewable DG, including but not limited to accelerated deployment of smart inverters;
  - c. Staff investigation into related issues including tariff duration and methodologies for calculating installed capacity fees for customer-sited DG;
  - d. Relevant Commission activities including: research, workshops, reports, and consulting with parties; and
  - e. Cross-sectional coordination work with the DRP proceeding (R.14-08-013), Integration of Distributed Energy Resources (IDER) Proceeding (R.14-10-003) and Residential Rate Reform (R.15-12-012).

Staff will undertake analysis, including holding workshops, preparing reports and soliciting stakeholder comments, to prepare for the Commission’s 2019 revisit of the NEM successor tariff.

- The Decision requires staff to assist the Commission in revisiting the NEM successor tariff in 2019 in order to ensure it is consistent with Commission policy on distributed energy resources, makes use of relevant information about locational benefits and optimal distributed generation resources, and is appropriately aligned with changes to retail rates for residential and small commercial utility customers.

An additional PUC staff position is needed for implementation and ongoing management of the NEM Successor Tariff.

Request One PURA II for NEM work



## Analysis of Problem

AB 327 directs the PUC to adopt, implement, and administer a NEM successor tariff. In the short-term, the NEM successor tariff will require PUC analysis of multiple IOU advice letters and significant reporting requirements. Over a longer-term, there will be ongoing work associated with implementing the NEM successor tariff and the PUC will address NEM alternatives for disadvantaged communities, measurement and evaluation, marketing and outreach, and consumer protection and safety in a Phase II of the NEM successor tariff proceeding. This additional workload requires a new full time, permanent PURA II to support senior analysts in managing the proceeding, while also managing their own workload.

The Energy Division's Customer Generation Section manages the MASH, SASH, CSI, SGIP, and NEM programs and currently has five staff. The section's existing resources are completely utilized in fulfilling all pre-existing statutory and regulatory requirements prior to the implementation of the NEM successor tariff. With the additional work introduced by a Phase II of the NEM successor tariff, it will not be possible to meet these new requirements and all pending requirements of existing workload with current staffing levels. Therefore, additional resources are needed to fulfill the statutory mandates of AB 327.

### **Tri-annual Low Income Needs Assessment Study (LINA)**

AB 327 directs the PUC to conduct a tri-annual assessment of the needs of the low-income electricity and gas ratepayers. Staff began working on the Department of General Services (DGS) contracting and the Request for Proposal (RFP) development for the Low Income Needs Assessment (LINA) during 2014-2015. In January 2016, a public workshop was held to present the draft research study plan. Stakeholders will provide input to the draft plan. Staff will produce a final report in the March-April 2016 timeframe.

The PUC adopted the low income guidance decision (D.14-08-030) which provided additional guidance on content for the LINA in compliance with AB 327. This decision expanded the scope of the LINA study to include:

- Estimates of remaining energy savings potential
- Updated assessment of energy insecurity and energy burden
- Level of burden in providing income documentation for CARE Program participation
- Most beneficial program measures

Over a longer term, there will be ongoing work associated with implementing the ongoing LINA study cycle directed by AB 327. This ongoing workload requires a permanent PURA V to support the Commission in its compliance with AB 327. As a senior analyst, the PURA V will be self-directed and will require less supervision, allowing existing staff to manage the ongoing low-income proceeding. Currently just three staff work on the low-income proceedings which include the Energy Savings Assistance program and the Small and Multi-Jurisdictional Utility proceedings, as well as associated work on other low-income issues.

The Energy Efficiency Residential Programs and Portfolio Approval staff also manages the statewide marketing programs and the residential energy efficiency programs which includes the multi-family programs, appliance recycling programs, regional energy network programs, the community choice aggregation programs, third-party and local government programs, and other programs that impact the residential market. The Section's existing resources are completely utilized in fulfilling all pre-existing statutory and regulatory requirements prior to the now mandatory and ongoing implementation of the LINA study. With the additional work (contracting and RFP development) introduced by the 2020 LINA study, it would not be possible to meet these new requirements and all pending requirements of existing workload with current staffing levels. Therefore, additional resources are needed to fulfill the statutory mandates of AB 327.

## **E. Outcomes and Accountability**

### **Residential Rate Reform**

The table below provides a summary of projected outcomes for rate reform. Further description is also provided below.



## Analysis of Problem

### Projected Outcomes – Rate Reform Work

Residential Rate Reform						
Workload Measure	CY	BY	BY+1	BY+2	BY+3	BY+4
Proceedings	4	4	3	5	3	4
Decisions	2	3	4	3	5	3
Advice Letters Processed	9	12	12	9	13	9
Resolutions	3	3	3	6	5	5
Workshops	3	4	4	4	4	3
Staff Papers	1	2	1	1	2	1
Contracts Managed	1	1	1	1	0	0
Request for Proposals	1	1	1	1	0	0

Staff will continue the implementation of the Phase I decision D.15-07-001 in R.12-06-013, the Residential Rate Reform proceeding. This implementation process includes residential rate changes along a glide path, as well as long term working group processes for TOU pilot rate development and ME&O planning and development. In addition, a Phase III decision implementing PU Code section 745 will be rendered and implemented in 2016. Starting in 2016 and concluding in 2018, Phase I implementation activities will include the following work product outcomes:

- Review of one annual glide path rate change per utility via nine advice letter filings;
- Review of three TOU pilot advice letters and production of three resolutions;
- Review of three advice letters proposing marketing plans, and production of three resolutions;
- Organization and execution of two or three public workshops and/or Residential Electric Rate Summits annually;
- Oversight of two contracting processes in FY 2015-16 to support TOU and ME&O working groups;
- Processing and review of three Rate Design Window (RDW) applications with default TOU proposals in FY 2018-19.

Staff will also continue to manage and support GRC proceedings (on a three year cycle), with a specific focus on evaluating Phase II rate design proposals and providing support to ALJs in examining settlements and drafting decisions. This cycle and the associated work product is anticipated to go as follows:

GRC Application Filing (Budget Year)	Utility	Work Product
2015-16	SDG&E, PG&E	2 scoping memos, 2 workshops, 2 decisions, 2 advice letters
2016-2017	SCE	1 scoping memo, 1 workshop, 1 decision, 2 advice letters
2017-2018	SDG&E, PG&E	2 scoping memos, 2 workshops, 2 decisions, 4 advice letters
2018-2019	SCE	1 scoping memo, 1 workshop, 1 decision, 2 advice letters

The PUC opened a new rulemaking R.15-12-012 in FY 2015-16 to evaluate and set revised TOU periods across all customer classes. This will require staff to support and/or deliver the following:

- One revised scoping memo in FY 2015-16;
- One public workshop in FY 2015-16;
- One decision in FY 2016-17 and a minimum of three advice letters to implement this decision;
- A potential Phase II of this proceeding with a new scoping memo to address any carry over issues and/or non-residential rate reform proposals; and



## Analysis of Problem

- One staff white paper or proposal on non-residential rate reform and new demand charge methodologies.

Finally, we anticipate that Retail Rates staff will support the IDER proceeding by assisting in drafting one staff white paper, conducting miscellaneous DER pricing analyses, and supporting ALJ in drafting one decision.

### **Distribution Resources Plans (DRP) and Integrated Distributed Energy Resources (IDER)**

As described above in the Justification Section, the PURA III and PURA V positions will fulfill the following expected outcomes and workload metrics:

#### **Projected Outcomes – Section 769 (DRP and IDER) work**

#### **Distribution Resource Plans (DRP) and Integrated Distributed Energy Resources (IDER)\***

<b>Workload Measure</b>	<b>CY</b> Current Year	<b>BY</b>	<b>BY+1</b>	<b>BY+2</b>	<b>BY+3</b>	<b>BY+4</b>
Proceedings and Orders Instituting Rulemaking	2 + 4	2 + 2	1 + 2	1 + 1	1 + 1	1 + 1
Decisions	1 + 1	3 + 2	2 + 2	1 + 2	1 + 1	1 + 1
Commissioner & ALJ Rulings	9 + 4	10 + 4	5 + 3	5 + 2	4 + 2	2 + 2
Scoping Rulings <sup>5</sup>	1 + 1	1 + 2	1 + 1	1 + 1	1 + 1	1 + 1
Advice Letters Processed	0	16 + 2	20 + 2	15 + 2	10 + 2	10 + 2
Resolutions <sup>6</sup>	0	5 + 4	5 + 4	5 + 4	3 + 4	3 + 4
Workshops	12 + 2	5 + 3	3 + 2	3 + 2	3 + 1	2 + 1
Staff Papers & Proposals	2 + 2	4 + 2	1 + 1	1 + 1	1 + 1	1 + 1
<b>DRP Only:</b>						
Contracts Managed	1	1	1	1	1	1
Request for Proposals			1		1	

\*Note format of entries is X + Y, where X = # of outputs in DRP Proceeding and Y = # of outputs in IDER Proceeding

### **Net Energy Metering**

The table below provides a summary of projected outcomes for NEM. Further description is also provided below.

#### **Projected Outcomes - NEM**

<b>Net Energy Metering</b>						
<b>Workload Measure</b>	<b>CY</b> FY 2015-16	<b>BY</b> FY 2016-17	<b>BY+1</b> FY 2017-18	<b>BY+2</b> FY 2018-19	<b>BY+3</b> FY 2019-20	<b>BY+4</b> FY 2020-21
Proceedings	1	1		1	1	1
Decisions	1	1			1	1
Guidance / Scoping Rulings	1	2		1	1	1
Workshops / Hearings	2	3	2	3	3	2
Staff Proposals	2	3	1	2	2	1
Advice Letters Processed	23+9	9	6	6	9	9
Resolutions	3	3	3	3	3	3
Requests for Proposals		2			1	
Contracts Managed		2	2	2	2	2

<sup>5</sup> Typically a minimum of one Scoping Ruling or Memo is produced every 18 months

<sup>6</sup> Typically a minimum of one Assigned Commissioner Resolution is produced every 12 months



## Analysis of Problem

Staff will implement the NEM successor decision (D.16-01-044) and review IOU advice letter filings:

- Nine advice letter filings
- Review and/or assist in the preparation of progress reports
- Undertake analysis to prepare for the PUC's 2019 revisit of NEM policy, including, possibly procuring consultant services, holding workshops, preparing reports, and soliciting stakeholder comments

In Phase II of the NEM successor proceeding (R.14-07-002), the PUC will issue a scoping memo and follow-up rulings, and hold public workshops to gather stakeholder feedback on how best to implement issues scoped into Phase II of the proceeding. This work will culminate in one or more Phase II final decision(s).

- One Amended Scoping Memo in FY 2015-16, and one Scoping Memo per year thereafter
- One staff proposal in FY 2015-16, and one to three staff proposals through FY 2017-18
- One public workshop in FY 2015-16, and one or two workshops through FY 2017-18
- One decision in FY 2015-16 and (possibly) a subsequent decision in FY 2016-18 to resolve any carry-over Phase II issues
- Minimum of three follow-up advice filings for each of the above decisions
- We anticipate the Phase II decision(s) to consolidate or eliminate the monthly NEM cap advice filings, effective FY 206-17. This will reduce some staff workload to review those.

We anticipate the PUC will open a new rulemaking prior to 2019 to revisit the NEM successor tariff (as directed in D.16-01-044) and ensure its consistency with related proceedings and relevant statute:

- One OIR
- One scoping memo
- Two staff proposals annually, tailing off in 2021
- Three public workshop annually, tailing off in 2021
- One or more decisions on the NEM revisit

Staff may also need to review quarterly/annual filings from the IOUs to address future marketing and outreach plans, consumer protection proposals, and NEM adoption rates, as well as evaluate the efficacy of NEM alternative programs. For the evaluation work, the PUC may need to procure the services of outside consultant and manage work under their contract.

- Three annual Marketing and Outreach advice filings
- One staff proposal on consumer protection rules
- One guidance ruling and staff proposal on measurement and evaluation (M&E) plan
- Procurement of M&E services and management of a consultant contract

### **Low Income Needs Assessment (LINA) Study**

As described above in the Justification Section the following describes the expected outcomes and workload metrics for the PURA V positions to fulfill:

#### **Projected Outcomes – LINA work**

Low-Income Needs Assessment Study (LINA)						
Workload Measure	CY FY 2015-16	BY FY 2016-17	BY+1 FY 2017-18	BY+2 FY 2018-19	BY+3 FY 2019-20	BY+4 FY 2020-21
Proceedings	1	1	1	1	1	1
Decisions	1			1		
Advice Letters Processed						
Resolutions						
Workshops	3	2	2	2	3	2
Staff Papers						
Contracts Managed	1		1			1
Request for Proposals	1		1			1



### Analysis of All Feasible Alternatives

#### Alternative 1: Amend AB 327 to dictate certain provisions statutorily

The PUC could seek to amend AB 327 to implement major provisions statutorily. For example, as written, AB 327 NEM provisions currently defer tough policy determinations to the PUC such as (a) what growth rate of eligible customer generation is meant by “continues to grow sustainably” and (b) what specific cost-effectiveness test and threshold should determine that “total benefits to all customers and the electrical system are approximately equal to the total costs.” If these were dictated unambiguously in statute, that would streamline the development of NEM 3.0 (currently anticipated by 2019 under the NEM successor decision). However, other AB 327 provisions, such as effective implementation of residential TOU or the DRP, are still at a nascent stage of development in PUC proceedings, which will require substantial analyst resources. In sum, some staff resources would still need to be redirected off other work (as in Alternative 3), but it may be fewer than would otherwise be the case.

Cost: \$0

Pros: This alternative could eliminate one or more PUC decisions on certain AB 327 provisions, but PUC staff would need to advise lawmakers closely to ensure that codification of detailed provisions is done effectively.

Cons: Codification of detailed rules by statute is risky and potential unintended consequences may occur that become more difficult to unwind if found after the fact. This option only partially reduces staff workload because only certain provisions might be candidates for implementation by statutory changes, and would still require redirection of some staff resources (though perhaps fewer than under Alternative 3).

#### Alternative 2: Redirect resources from existing proceedings/programs

The PUC could potentially redirect existing staff resources off of other assignments.

Cost: \$0

Pros: This alternative offers no additional increase in cost to current status.

Cons: Absent authorization of additional positions, the PUC would likely not be able to fully implement AB 327 without suspending or delaying implementation of other policy initiatives mandated by the Legislature and programs authorized by the Commission. Examples of work areas that may be delayed or suspended include the following: Self-Generation Incentive Program, SB 43 green tariff shared renewables, California Solar Initiative close-out, California Solar Initiative thermal program, demand response programs, economic development rates, smart grid implementation, and oversight of utility implementation of Energy Savings Assistance Programs. These are work areas currently covered by other staff that could conceivably be reassigned.

#### Alternative 3: Contract with consultants to partially implement ongoing work

The PUC could hire outside consultants to implement parts of the ongoing AB 327 implementation work.

Cost: Unknown at this time

Pros: This option would not add permanent staff positions; therefore, it is possibly less costly. However, consultant hourly rates are typically higher than staff analysts', so this option could end up being more expensive.

Cons: Outside experts could be used to partially implement certain ongoing provisions (e.g., analysis of NEM alternatives in disadvantaged communities, and options for NEM 3.0), but the majority of the work required to fully implement AB 327 is not appropriate for outside contracts (i.e., it requires regulatory staff to review advice letters, etc.). Also, the contracting process would cause delays. This would be a partial solution, but other staff resources would need to be redirected, which has the same disadvantages as Alternative 2.

### Implementation Plan

If this proposal is approved, the five limited-term positions would be transitioned into permanent positions on July 1, 2015. The incumbents would not need to re-apply for the positions and, therefore, there would be no delays in continuing their work.



### H. Supplemental Information

Please see attached Workload Analysis table providing further detail on the workload standards (based on similar positions) for the person-year estimates in this BCP.

### I. Recommendation

We recommend adding five new full-time positions to continue to implement certain provisions of AB 327 and ensure that the Governor's and Legislature's climate goals for California are attained. This is the most cost efficient and efficacious option for delivering on the intent and requirements of AB 327.

The five permanent analyst positions (two PURA IIs, one PURA III, and two PURA Vs) are needed to implement the rate reform, NEM, DRP, and low income needs assessment provisions of AB 327, which cannot be fully implemented without additional resources. The analysts will support decisions for rulemaking proceedings and new applications, convene and manage workshops, review and evaluate testimony and comments, conduct in-depth technical and policy analysis, review and approve advice letter filings, draft resolutions for Commission approval, and, in all other ways, administratively manage the implementation of select provisions of AB 327.

Any of the feasible alternatives would likely (a) jeopardize the full and effective implementation of AB 327 or delay full implementation, (b) cause unintended consequences that may be difficult to unwind, (c) potentially cost more, (c) or deleteriously impact other critical work. Collectively, these drawbacks would impact the state's ability to implement climate change action. Bringing on additional staff would be the most efficient use of resources to quickly and accurately implement the provisions of this law.



Department of Finance  
2016-17  
Finance Letter Worksheet

8660-001-0462-2016  
Prop 98: N

DEPT: Public Utilities Commission  
STATE OPERATIONS

8660-104-BCP-BR-2016-A1

Ongoing Implementation of AB 327 (Perea, 2013)

**Proposal Summary**

Add resources to support ongoing implementation of Chapter 611,  
Statutes of 2013 (AB 327).

Category Changes	Positions	Whole Dollars
Salaries and Wages	4.0	288,000
Staff Benefits	0.0	119,000
Operating Expenses and Equipment	0.0	120,000
<b>Total Category Changes</b>	<b>4.0</b>	<b>\$527,000</b>
<b>Program Changes</b>		
6680 Regulation of Utilities	4.0	527,000
6680055 Energy	4.0	527,000
<b>Total Program Changes</b>	<b>4.0</b>	<b>\$527,000</b>
<b>Fund Changes</b>		
Amount Funded by 8660-001-0462-2016	4.0	527,000
<b>Net Impact to Item</b>	<b>4.0</b>	<b>\$527,000</b>

ASM CONSULTANT: CG  
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DOF ANALYST: Kathy Madison  
LAO DIRECTOR: BB  
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